



Individual Income Tax Reform

11 Jan 2006



Benefits

- Simplifies the tax system
- Broadens the tax base
- Lowers top marginal tax rate
- Stabilizes revenues swings
- Improves Utah's competitive position within the western region



Plan H3

- 5.0% Income Tax Rate (or less)*
- Charitable Contribution Credit (50%)
- Homeownership Credit *
(50% Mortgage Interest)
- Reform Adjustment Tax Credit*
 - \$500-\$700 household
 - \$50-200 individual
 - Phases out between 20x and 100x credit

* Additional analysis and refinement to be performed



Postcard Tax Return

Plan H3

Income Tax

- 1a. Federal Adjusted Gross Income:
- 1b. Income Adjustments:
- 1c. State Taxable Income:
- 1d. State Income Tax Rate (e.g. 5.0%): x 0.05
- 1e. State Income Tax: A

Tax Credits

- 2a. Number of Exemptions:
- 2b. Reform Adjustment Tax Credit:
- 2c. Charitable Contribution Credit:
- 2d. Homeownership Credit:
- 2e. Total Tax Credits (2b+2c+2d): B

Net Tax (A-B):



Tax Reform Policy Decisions

- Should we flatten the income tax?
 - What is the scope of any tax cuts?
 - Tax rate?
 - Allowable credits?



Plan H3 -- One Scenario

- 4.8% Income Tax Rate
- Charitable Contribution Credit (@ 50%)
- Homeownership Credit
(\$300 or Mortgage Interest @ 50% credit)
- Reform Adjustment Tax Credit
 - Single: \$300
 - Married: \$800
 - Head of Household: \$500
 - Children/Dependents: \$100 / dependent
 - Phases out between 30x and 70x credit
- Est. Fiscal Impact (2007): \$20M - \$60M Reduction